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Spain

Grain and Feed

Spanish Feed Grain Market Update - July 2003

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Report Highlights:

At the beginning of June, the Spain looked set for a bumper grain crop. Cool, wet spring weather had raised hopes for record high yields throughout the country. Those hopes evaporated, however, as unseasonably high temperatures set in, making June 2003 the hottest in more than 50 years. Losses were most acute in Northern Spain, where the grain was beginning to fill when the heat went up. Despite these losses, production in 2003/04 is still likely to be 1 million tons more than the previous year. Due to new market conditions, U.S. sorghum looks set to return to Spain after a two-year hiatus.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Madrid [SP1], SP

Executive Summary

The 2003 grain harvest is underway in southern Spain; early results indicate good yields and fair quality. Although abundant rains in April and May boosted the prospects of the winter grain crops, the record hot, dry weather in June cut into yields and quality, especially in the northern areas of the country. Despite these problems, total winter grain output should be around 17.2 million tons, or some 1 million tons more than MY2002/03. Given abundant water supplies in reservoirs, prospects for the irrigated rice and corn crops are upbeat.

The use of grains in animal rations in MY 2003/04 is expected to remain stable given the favorable outlook for livestock production.

The good news for U.S. exporters is that U.S. sorghum is set to return to the Spanish market. Very little sorghum was imported during the past two years, due to short U.S. crops, high prices, and strong competition from other feed grains, particularly feed wheat from Ukraine. The tables have turned this year, as a much larger U.S. crop and the nearly 25 percent decline in the dollar/euro exchange rate have made sorghum much cheaper for Spanish feed manufacturers. In addition, the EU's recent restrictions on wheat imports from Ukraine and Russia will also limit supplies from those sources. Some local traders say they could buy more than 450,000 tons by September 30, 2004.

Wheat

PSD Table						
Country	Spain					
Commodity	Wheat				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	0	2201	0	2402	0	2360
Beginning Stocks	0	450	0	450	0	450
Production	0	4937	0	6782	0	7000
TOTAL Mkt. Yr. Imports	0	5349	0	5800	0	4500
Jul-Jun Imports	0	5349	0	5800	0	4500
Jul-Jun Import U.S.	0	612	0	160	0	200
TOTAL SUPPLY	0	10736	0	13032	0	11950
TOTAL Mkt. Yr. Exports	0	1193	0	1600	0	1500
Jul-Jun Exports	0	1193	0	1600	0	1500
Feed Dom. Consumption	0	4781	0	6632	0	5550
TOTAL Dom. Consumption	0	9093	0	10982	0	10000
Ending Stocks	0	450	0	450	0	450
TOTAL DISTRIBUTION	0	10736	0	13032	0	11950

Jul-Jun Import from Non EU	2928	3100	400
Jul-June Export to Non EU	422	780	680

PSD Table						
Country	Spain					
Commodity	Wheat, Durum				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	0	881	0	925	0	883
Beginning Stocks	0	0	0	0	0	0
Production	0	1756	0	2073	0	2100
TOTAL Mkt. Yr. Imports	0	320	0	250	0	250
Jul-Jun Imports	0	320	0	250	0	250
Jul-Jun Import U.S.	0	10	0	0	0	10
TOTAL SUPPLY	0	2076	0	2323	0	2350
TOTAL Mkt. Yr. Exports	0	970	0	1400	0	1300
Jul-Jun Exports	0	970	0	1400	0	1300
Feed Dom. Consumption	0	506	0	323	0	450
TOTAL Dom. Consumption	0	1106	0	923	0	1050
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	2076	0	2323	0	2350

Jul-Jun Imp from non EU	10	10	10
Jul-Jun Export to non EU	185	630	530

Production/Trade/Consumption

Favorable weather conditions throughout much of Spain during the spring season were partially offset by a remarkably hot June. The total 2003 wheat crop should reach about 7 million tons, or about 200,000 tons higher than the previous year. The durum crop, concentrated in the South, was already well advanced when the hot weather struck. Although durum production could reach a record 2.1 million tons, trade sources say that test weight and protein content for the 2003 crop are lower than in previous year.

Spain will need to import about 4.5 million tons of wheat in MY 2003/04. Of this amount, some 3 million tons will be used for feed. The deficit for bread wheat is expected to be about 1 million tons, which includes 400,000 tons of hard wheat and about 600,000 tons of soft wheat. The new tariff-free quotas established for U.S. wheat should encourage larger imports of high quality wheat from the U.S.

Due to the large supply of barley which will soon be available at lower prices, some wheat is going to be replaced by barley in feed formulas in MY 2003/04. Exports of durum are also expected to be lower due to improved crops in the Maghreb countries.

Wrapping up MY 2002/03, it appears that Spain will set simultaneous records for both import and export of wheat for the year. Extra-EU durum exports, mainly to North Africa, seem on track to reach an unprecedented 630,000 tons. At the same time, imports of soft wheat should also hit a record due to large imports of feed wheat from Ukraine.

Barley

PSD Table						
Country	Spain					
Commodity	Barley				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	0	2994	0	3100	0	3032
Beginning Stocks	0	700	0	0	0	200
Production	0	6245	0	8333	0	9000
TOTAL Mkt. Yr. Imports	0	1687	0	1000	0	750
Oct-Sep Imports	0	1687	0	1000	0	750
Oct-Sep Import U.S.	0	39	0	0	0	0
TOTAL SUPPLY	0	8632	0	9333	0	9950
TOTAL Mkt. Yr. Exports	0	40	0	100	0	100
Oct-Sep Exports	0	40	0	100	0	100
Feed Dom. Consumption	0	7265	0	7100	0	7650
TOTAL Dom. Consumption	0	8592	0	9033	0	9650
Ending Stocks	0	0	0	200	0	200
TOTAL DISTRIBUTION	0	8632	0	9333	0	9950

Imp. from Non EU countries	562	200	50
Expo. to non EU Countries	6	6	6

Production/Consumption/Trade

The winter barley crop looks on track to reach about 9 million tons, up 660,000 tons from last year. As a result of the larger crop, prices in production areas have declined to about 114 euros ($134) per ton, which is 13 euros above the intervention price established for October, 2003. Consequently, no sales to intervention are expected. Imports of barley are expected to decline due to the large supply and to lower prices in the domestic market. Once the harvest gets underway, barley prices will undercut those for wheat and corn, encouraging feed compounders to favor barley in some feed formulas.

Corn

PSD Table						
Country	Spain					
Commodity	Corn				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	0	504	0	463	0	455
Beginning Stocks	0	400	0	300	0	300
Production	0	4957	0	4463	0	4450
TOTAL Mkt. Yr. Imports	0	3221	0	3200	0	3200
Oct-Sep Imports	0	3221	0	3200	0	3200
Oct-Sep Import U.S.	0	6	0	6	0	6
TOTAL SUPPLY	0	8578	0	7963	0	7950
TOTAL Mkt. Yr. Exports	0	156	0	150	0	150
Oct-Sep Exports	0	156	0	150	0	150
Feed Dom. Consumption	0	6922	0	6213	0	6200
TOTAL Dom. Consumption	0	8122	0	7513	0	7500
Ending Stocks	0	300	0	300	0	300
TOTAL DISTRIBUTION	0	8578	0	7963	0	7950

Oct Sept Imp from Non EU	1252	1250	1250
Oct Sept exp from Non EU	1	1	1

Production/Consumption/ Trade

With recent hot weather and plentiful water reserves for irrigation, the crop is off to a good start   Planting was completed on June 10. More than 90 percent of the crop is planted on irrigated land, where yields are expected to be over10 tons per hectare.

Current prices in consumption areas are around 134 euros ($156) per ton, which is about 20 euros/ton above barley. At this price, corn is being used only at minimal levels in some feed formulas. Non-feed uses of corn are expected to be about 1.3 million tons, of which about 1 million tons are used by wet millers and the balance, by dry millers.

About 3,000 tons of popcorn are expected to be imported from the U.S. in MY 2002/03

Sorghum

PSD Table						
Country	Spain					
Commodity	Sorghum				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	0	8	0	7	0	7
Beginning Stocks	0	0	0	0	0	0
Production	0	44	0	33	0	33
TOTAL Mkt. Yr. Imports	0	175	0	250	0	500
Oct-Sep Imports	0	175	0	250	0	500
Oct-Sep Import U.S.	0	8	0	100	0	350
TOTAL SUPPLY	0	219	0	283	0	533
TOTAL Mkt. Yr. Exports	0	1	0	1	0	1
Oct-Sep Exports	0	1	0	1	0	1
Feed Dom. Consumption	0	217	0	281	0	531
TOTAL Dom. Consumption	0	218	0	282	0	532
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	219	0	283	0	533

Oct Sept Imp from Non EU	8	100	350
Oct Sept exp to Non EU	0	0	0

Spain is set to revive imports of U.S. sorghum in 2003/04. Ample exportable supplies in the U.S., the euro's recent surge against the dollar and the restriction of feed wheat imports from Ukraine and Russia will all combine to make this happen.

Under the terms of the 1986 U.S.-EU Grain Enlargement Agreement, if the sorghum quota for the year in not filled, the shortfall is carried forward to future years. Since very little sorghum was imported into Spain in 2001/02 and 2002/03, the quota shortfall carried over into 2003/04 is about 419,000 tons. This shortfall, combined with the 2003/04 quota of about 220,000 tons, implies that the EU should open sorghum import tenders for about 640,000 tons before February

28, 2004. Grain traders believe that is possible to import this amount during the coming season, provided U.S. prices remain stable and the dollar stays weak against the euro. The current CIF price for U.S. sorghum for August 2003 is around 120 euros per ton. At this price, U.S. sorghum competes effectively again most other feed grains in coastal areas of Spain. Some traders say they will make purchases soon for delivery in August and September.

Oats

PSD Table						
Country	Spain					
Commodity	Oats				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	0	441	0	473	0	476
Beginning Stocks	0	0	0	0	0	0
Production	0	658	0	916	0	950
TOTAL Mkt. Yr. Imports	0	55	0	100	0	50
Oct-Sep Imports	0	72	0	100	0	50
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	0	713	0	1016	0	1000
TOTAL Mkt. Yr. Exports	0	38	0	40	0	40
Oct-Sep Exports	0	38	0	40	0	40
Feed Dom. Consumption	0	608	0	897	0	870
TOTAL Dom. Consumption	0	675	0	976	0	960
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	713	0	1016	0	1000

Jul-Jun Import from non EU	0	0	0
Jul-Jun Export to non EU	5	5	5

A record oat crop may be harvested in MY 2003/04. The yield for oats appears to be low because a portion of oat area is harvested for hay.

Rye

PSD Table						
Country	Spain					
Commodity	Rye				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	0	101	0	102	0	105
Beginning Stocks	0	0	0	0	0	0
Production	0	107	0	174	0	190
TOTAL Mkt. Yr. Imports	0	357	0	170	0	30
Oct-Sep Imports	0	350	0	170	0	30
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	0	464	0	344	0	220
TOTAL Mkt. Yr. Exports	0	4	0	10	0	10
Oct-Sep Exports	0	3	0	10	0	10
Feed Dom. Consumption	0	440	0	314	0	190
TOTAL Dom. Consumption	0	460	0	334	0	210
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	0	464	0	344	0	220

Jul-Jun Imp from non EU	277	153	0
Jul-Jun export to non EU	0	0	0

No imports of rye have been reported from non-EU countries in the last few months and due to the EU levy, none are expected in the next few months.